



PRESIDENT

INTER-AMERICAN DEVELOPMENT BANK
WASHINGTON, D. C. 20577

May 26, 2005

The Honorable Kevin Brady
U.S. House of Representatives
428 Cannon Building
Washington, DC 20515

Dear Mr. Brady:

As you know, the six Latin American signatories of the proposed DR-CAFTA are awaiting the ratification of the agreement by the United States Congress, a necessary condition for them to begin implementing their obligations to fully open their economies to U.S. trade and investment. I know of your interest in this subject, and would like to contribute comments on the proposed agreement from the standpoint of the Inter-American Development Bank (IDB).

As president of an institution dedicated to supporting economic and social development in Latin America and the Caribbean, I want to share with you my view that the ratification and implementation of this agreement would make an important contribution to promoting stability, development and the consolidation of democracy throughout the region.

DR-CAFTA will serve to anchor ongoing economic and political reforms in these countries. In addition, consolidating preferential access to the United States market would provide incentives for increased investment and employment in these developing economies. As you know, external protection in these countries, even after the institution of structural reforms, is still high. The DR-CAFTA negotiation showed the determination of these six Latin American governments to overcome protectionist interests.

This is a commitment of historic proportions. Better access for goods and services from the U.S., implementation of an open, rules-based framework for U.S. investment and technology and strengthened intellectual property rights protection will all serve to enhance these countries' productivity, international competitiveness and ability to generate growth and employment, the two most important factors for poverty reduction.

I am aware of the concerns in the United States about the issue of labor standards in the six Latin American signatory countries. Enforcement of labor standards certainly has been a problem for some of them, but thanks to the DR-CAFTA the countries' focus on the problem has never been more intense and their knowledge of what to do to improve the situation never more clear.

At the IDB, we believe that the problem of enforcement is often due to limited capacity. The Bank is committed to supporting the six countries in addressing the enforcement issue (as well as the overall transition to implementation of the DR-CAFTA). The effectiveness of our support and that of other donors in the area of labor standards would be decisively aided if underpinned by ratification of the agreement.

In a period when Latin America is confronting increasing challenges to its market-based reforms, ratification of the DR-CAFTA by the U.S. Congress would signal your country's continued leadership in the promotion of free trade, development and democracy. Approval would also mark a major step toward continued integration of the Americas, a goal that the IDB has supported since its founding in 1959.

I thank you in advance for your consideration of these views, and look forward to our forthcoming meeting.

Yours sincerely,



Enrique W. Iglesias

cc: Mr. Héctor Morales, US Executive Director